

MEMORANDUM
#03-03

TO: All Department and School Fiscal Officers

FROM: Trisha L. Neely, Director

DATE: July 19, 2002

SUBJECT: **SEGREGATION OF DUTIES**

In order to improve accountability of disbursed funds, as recommended by the last financial audit, the following procedures must be adhered to at each organization level.

Funds disbursement begins with the generation of the payment vouchers for vendor checks. After the state organization and the Division of Accounting apply all approvals, vendor checks are produced through the Treasurer's Office. Although the majority of processed payments are sent directly to the payee, there are checks that require special handling including their return to the requesting organization.

To ensure internal control is properly maintained:

- State organizations must have procedures in place to ensure the individual who generated the payment does not approve it.
- Checks resulting from approved payments must not be returned to the person that initiated or authorized the payment.
- Such procedures must be maintained in writing and included in the organization's written internal controls policies/procedures manual.

As outlined in the Budget and Accounting Policy Manual, "Department or agency heads are responsible for establishing and maintaining an effective system of internal control." One of the basic and most successful methods of achieving internal controls is through the segregation of duties. Segregation of duties also reduces the risk that one person would perpetrate and/or conceal errors in the normal course of business. This method of control increases the likelihood that if one person makes an error, another will discover it.